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Approved by:

David Williams

U.S. Embassy Mexico

Prepared by:

Benjamin Juarez

Report Highlights:

Foreign Direct, Capital Market Investment Lower in Mexico*Treasury Official

Predicts U.S. Growth, Benefits for Mexico*Mexico's Farmer Council Demands

Agricultural Trade Defense*Agricultural "Armor-Plating" with Limitations

Includes PSD changes: No

Includes Trade Matrix: No

Unscheduled Report

Mexico [MX1], MX

Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

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FOREIGN DIRECT, CAPITAL MARKET INVESTMENT LOWER IN MEXICO

According to the Ministry of Economy, foreign direct investment in Mexico channeled U.S.\$ 6.13 billion into the country during the first half of 2002, down 9.4 percent from the same period a year earlier. At the same time, the Mexico City Stock Exchange reported that foreign capital entering the market to buy up Mexican-listed securities fell by 12.2 percent in July, as compared to June's figure. Foreigners earmarked 97 percent of the total 48.4 billion dollars they have in the market for equity acquisitions, the market regulator said. But transactions involving bonds and other fixed-income instruments were up 6.10 percent that month to total 1.36 billion dollars. As for direct investment, analysts from the Ministry of Economy noted that 47.32 percent of the money originating from abroad was directed towards the manufacturing sector, 38.4 percent to financial services, and 11.6 percent to communications and transportation. The largest source of direct foreign investment in the country is still the United States, which accounted for 80.7 percent of total input, followed by the European Union, with 13.3 percent and a smattering of other countries taking the remainder. (Source: The News; 8/26/2002)

TREASURY OFFICIAL PREDICTS U.S. GROWTH, BENEFITS FOR MEXICO

Visiting U.S. Treasury Undersecretary John Taylor said here Friday, August 23, 2002, that the U.S. economy could grow by as much as 3.5 percent this year, providing impetus for a recovery in Mexico. The U.S. official pointed out to reporters that economic recoveries do not come easily and that serious risks still threaten both countries, since their economies are more closely interconnected than ever. Taylor praised the government's handling of the economy, especially its monetary and fiscal policies, which he said have succeeded in lowering inflation, preventing pressure on the peso, and eluding the impact of the Argentine crisis. Nevertheless, the country must better train its workers so they can earn higher wages, he added. Taylor also stressed the fact that cooperation and the exchanging of information have increased between Mexican and U.S. customs officials since September 11. (Source: The News; 8/26/2002)

MEXICO'S FARMER COUNCIL DEMANDS AGRICULTURAL TRADE DEFENSE

During a press conference, the President of the Agricultural National Council (CNA), Armando Paredes-Arroyoloza, asked the GOM to be more aggressive in defending Mexico's agricultural trade. Paredes commented that by the end of 2002, the agricultural trade deficit will reach U.S.\$3.0 billion. Also, he explained that the main agricultural trade deficits are with countries with which Mexico does not have free trade agreements and the trade with those countries

represents U.S.\$ 434 million. CNA's president said that Mexico had trade deficits with Chile, EU, Israel, Argentina, and countries like Switzerland, Liechtenstein, Norway and Iceland in 2001. Paredes said that in order to face the agricultural trade deficit the GOM should equalize agricultural sector competitiveness with its allies through subsidies. He pointed out, for example, that during 1998 and 2001, each U.S. agricultural grower received U.S.\$ 20,800 in supports, while in the European Union growers received approximately U.S.\$16,000. Also, farmers from other countries in the Organization for the Cooperation and Economic Development received U.S.\$11,000. This compares to U.S.\$720 in agricultural supports in Mexico. He stated that it is necessary to have competitive prices for the main agricultural inputs such as electricity, water, fertilizers and fuels. (Source: Reforma; 8/22/2002)

AGRICULTURAL ARMOR-PLATING' WITH LIMITATIONS

Francisco Mayorga Castañeda, General Director of ASERCA, the Ministry of Agriculture agency responsible for agricultural supports, stated that the "Agricultural Armor-plating" program does not guarantee the survival of all Mexican agricultural growers, especially those who produce for self consumption. "It is impossible, with our support schemes, to guarantee the survival of all the agricultural producers in Mexico." He also said that one of Mexico's main structural problems is that there is too many people living in the agricultural sector, and that not all producers would be able to remain in their current activity. Mayorga stated that there is not a risk that those agricultural growers will disappear, only that they will need to be offered viable employment alternatives. During a press conference, Mayorga said that the "armor-plating" program will only protect competitive agricultural producers. At the moment, there are an estimated 250,000 competitive, market-oriented producers who account for approximately 10 percent of the 2.8 million small producers registered in the Procampo program. Nevertheless, the ASERCA official remarked that small producers will continue to be supported through the Procampo program. He also highlighted, however, that these small producers will have to look for other viable employment alternatives. However, he added that providing other employment alternatives is not under the jurisdiction of SAGARPA. "These are tasks that the municipal and state governments, the Secretariat of Economy (SE) and the Secretariat of Social Development (Sedesol) have to assume by offering programs of social assistance and employment alternatives. (Source: Reforma; 8/21/2002)

REPORTS SUBMITTED RECENTLY BY FAS/MEXICO CITY

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MX2116	Weekly Highlights & Hot Bites, Issue #27	8/21/02
MX2117	Mexico Announces New System under Procampo	8/23/02

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To reach us at FAS/Mexico City, email us at:

AgMexico@fas.usda.gov and/or ATOMexico@fas.usda.gov.